



STATE OF HAWAII
DEPARTMENT OF HUMAN SERVICES
Benefit, Employment and Support Services Division
820 Mililani Street Suite 606
Honolulu, Hawaii 96813

January 27, 2006

TO: All Prospective Applicants

FROM: Garry L. Kemp, Assistant Division Administrator 

SUBJECT: RFP HMS-305-06-01-S Child Care Payment Services

This is in response to written questions submitted to the Department in reference to the above subject RFP. Your questions are noted with a "Q", followed by the Department's response, noted with a "R".

1. Q: *What is the contract limit for General and Administrative + overhead cost?*
R: The G&A + Overhead cost cannot exceed five (5) percent of the total contract cost.
2. Q: *Will not having direct experience in handling this type of work disqualify a company in the bidding process?*
R: No; see RFP page 1-6, Item XVI.
3. Q: *Is there flexibility in the contract amount if the # of cases dramatically increases?*
R: Yes; see RFP page 2-3, Item E: "...subject to increase or decrease..."
4. Q: *What is the estimated cost of software license per user/per agency?*
R: State unit cost follows; estimate contractor purchase/yearly license renewal.
 - Microsoft Office XP Pro License: \$500.
 - Symantec Enterprise Solution License, Norton Antivirus for Windows XP: \$50
 - Altiris Client management Suite w/Deployment Server, inventory solution, Application Metering, Carbon copy, Software Delivery Solution: \$80
 - Lotus Notes client w/Collaboration License New subscription: \$100

- Conflict Analysis solution: no cost

5. Q: *What are the hardware specifications for server, workstations and printers and any other necessary peripherals? Indicate type of connectivity and speed required (DSL/Cable.)*

R: The FTW units currently have the IBM X Series 225 Server with the following:

- Intel Xeon processor (2.8GHZ/533HHZ, 512KB)
- 3 drives (IBM 36.4GB 15K-RPM ultra 320, SCSI hot-swap SL HDD)
- 2 memory (1GB PC2100 CL2.5 ECC DDR SDRAM RDIMM)
- IBM Serv RAID-51 controller
- Remote supervisor adapter
- 15" color monitor

The specs are based on a maximum of 10 users per site. Hawaiian Telcom handles the frame relay installation. There may also be a monthly line charge.

Personal **workstation equipment** that a DHS worker uses:

- IBM Thinkcentre Desktop 3.0 GHZ processor (800 MHZ front side bus, 512 MB, 40GB, DVD, Floppy, Gigabit, ESS, Windows XP Professional, 3-year on-site maintenance (all as stated or comparable).
- IBM Think Vision C170 monitor (or comparable).
- HP LaserJet 1700 monochrome printer, 16MB, 25PPM, 1200x1200 DPI, letter paper tray, cable and toner cartridge (or greater).

6. Q: *Is this connection to the HANA System a VPN or web-based?*

R: It is web-based. The Contractor has to be on the Department's dedicated network, therefore, the Contractor cannot access through its own browser.

7. Q: *What is the current workload per Income Maintenance Worker (IMW)?*

R: The average caseload is 290 for all types of payments. Recommended average caseload for the child care payments for this project is 300 cases per worker.

8. Q: *What is the approximate cost to operate one (1) DHS unit (indicate # of employees.)*

R: The Department does not have a cost estimate for a unit similar to what is being procured through this RFP. The cost to operate one (1) contracted FTW unit (one (1) supervisor, one (1) clerk, one (1) secretary and five (5) case managers) is approximately \$550,000 per annum.

9. Q: *What is the starting salary for iMWs?*

R: Effective 10/1/05, the monthly salary for a beginning IM Worker is \$2,291.

10. Q: *What's the job description for a State DHS BESSD Eligibility Worker; pg. 2-7 B1?*
- R: The information is on the Department of Human Resources Development website: <http://www.hawaii.gov/hrd/main/eccd/Class%20Specifications%and%20Minimum%20Qualifications>.
- The basic position description includes: to process applications and manage through periodic reviews, the continuing eligibility for benefits. Major duties include interviewing, fact finding, policy application, documentation and caseload management. The worker must have a basic understanding of the DHS goals and functions of the IM programs and be able to communicate factual information clearly, orally and in writing; ability to learn and apply regulations.
11. Q: *Is there an example of a case folder format? May we have a copy for review?*
- R: The case folder consists of such DHS forms as the Application, Parent's Rights and Responsibilities, Calculations of Payment, Child Care Provider Information, Eligibility Documentation, Notices of Action taken, etc. The Contractor is to use DHS forms. The sample will be provided at the DHS training.
12. Q: *Is there a self-evaluation process or tool already established; RFP pg. 2-9 B3. May we have a copy for review?*
- R: No. The Contractor develops this based on goals, objectives and program tasks, and its own organizational administration.
13. Q: *If the pending regulations for the Simplified Reporting are not adopted, will the contract/RFP be revised to reflect the changes?*
- R: The RFP pg. 2-1 states that the Contractor would operate under the present Chapter 17-798.1, H.A.R. (that does not contain reference to "SR"), or any subsequent revision to these rules.
14. Q: *How many children are served, broken down by island?*
- R: January 2006 payments issued for CCH clients (one (1) family: 1.6 children):
Kauai: 351 families (Central: 114; West: 122; East: 117)
Hawaii: 988 families (Hilo: 947; Kona: 230)
Maui: 706 families (Central: 42; rest of the county: 664)
Oahu: 2,529 families (town: 1,013; Central/Leeward: 1,100; Windward: 416)
15. Q: *What is the expected relationship with the Learning to Grow (LTG) Project and its Contractor?*

- R:** The LTG Contract is to be renewed. With face-to-face interviews unnecessary in the proposed Child Care "Payments" Contract, the consumer education service delivery in the LTG Contract will be amended. The structure of that will be shared with the "Payments" Contractor.
16. **Q:** *Describe the expected relationship of the contractor with Preschool Open Doors and/or First to Work Projects.*
- R:** RFP pg. 1-2, paragraph 3, addresses this issue.
17. **Q:** *What are the anticipated training dates/times/locations?*
- R:** Child Care Program/HANA System training at Waiakamilo Business Center:
- May 16 – 19, 2006 8:00 a.m. – 4:00 p.m. (clerical attends only first two (2) days)
 - June 06 – 09, 2006 8:00 a.m. – 4:00 p.m. (clerical attends only first two (2) days)
18. **Q:** *Who are the ECC Program Staff (pg. 2-8, 3-C under Quality Control Reviews)?*
- R:** ECCP Administrator is Pankaj Bhanot; Contract Manager would be Ethel Fleming.
19. **Q:** *If errors are found in the files previously determined by another contractor, will those affect our quality reviews?*
- R:** Draft findings are shared with the contractor for response and rebuttal, if needed.
20. **Q:** *Does the State currently have a vendor providing any part of the services being requested?*
- R:** No. Departmental staff now provides child care payment services for non-POD clients.
21. **Q:** *How many State/vendor staff (FTEs) currently perform the services being requested by function? Where is the staff currently located?*
- R:** No vendor staff now perform these services. DHS staff among 34 units Statewide include approximately one (1) supervisor, two (2) clerical, and seven (7) workers for a combination of financial assistance and child care cases, depending on island and area of service.
22. **Q:** *Are there workload standards and benchmarks available for the administration of the current program? If so, what are these?*
- R:** No. Applications continue with the availability of CCDF monies for subsidies.

23. Q: *Does the State have a preferred number of office locations that the vendor should provide? How many office locations are currently performing the services outlined in the RFP?*
- R: No. See RFP pg. 2-11. DHS desires centralized locations accessible to the public. There are 34 IM units Statewide.
24. Q: *Would the State look favorably on a vendor who has national child care policy experience, child care funding experience in other states, and experience outsourcing state functions in other states?*
- R: See RFP ppg. 2-9, 5 and 4-2, B2.
25. Q: *The monthly child care payments services caseload is estimated to be 6,000 families. How many new eligibility determinations does the State anticipate that there will be on a monthly basis? How many redeterminations are anticipated monthly? What do you anticipate being the cap or the maximum number of eligible families on the eligible caseload?*
- R: There are approximately 260 applications monthly on Oahu, the largest island; about 80% become eligible. Currently, staff conducts monthly eligibility determinations. With any adoption of new child care rules, each case will be reviewed every six (6) months. Clients are still required to report certain mandatory changes when they occur, which can create review of the cases when reported.
26. Q: *The RFP states that "approved payments shall be entered into the official DHS BESSD Payment System." Once payments are entered into the system, is the State responsible for making and tracking payments? Or is the vendor responsible?*
- R: The vendor is responsible.
27. Q: *Are the child care providers considered employees of the State or are they considered to be Contractors?*
- R: Child care providers are not employees of the State; neither are Contractor staff.
28. Q: *Under the current system, what are the most common types of errors, overpayments or denials? Please provide any data available on error rates.*
- R: Missing documentation and calculation of benefits, client's late reporting of changes leading to overpayments, and denials based on income or lack of eligible activity.
29. Q: *Please provide general data on the child care caseload addressed by this RFP. How many children and families and geographic and demographic distribution? Please indicate where to find documents that address the data request.*

R: See reply to # 14, above. DHS/Office of Technology issues monthly reports.

30. Q: *How many individual providers are anticipated to be serving the 6,000 families?*

R: There is a mix of group centers and family homes, both licensed and license-exempt.

31. Q: *How many of the individual providers, on average, serving eligible families, are anticipated to be License-Exempt or Relative providers and require the vendor to confirm provider eligibility?*

R: Approximately 60% of the families use relative or license-exempt care. There is currently another contracted vendor that confirms provider eligibility.

32. Q: *Will the vendor provide any referral services to assist eligible families in securing placement with a provider?*

R: There is currently another contracted vendor for child care information & referral.

33. Q: *Will the vendor provide any referral or child care information services to the general public, or only those families seeking an eligibility determination and eligible families?*

R: See RFP pg. 2-4 Scope and reply to #32 above. The vendor for this RFP shall promote the DHS Child Care Program and outreach to the communities statewide.

34. Q: *Have there been any audits, reports, or studies on government-subsidized child care in Hawaii in the past five (5) years? If so, please indicate where to find these documents.*

R: See the attached audit findings for FY 2001-2004.

Department of Human Services
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
Fiscal Year Ended June 30, 2001

Ref. No.	Compliance and Internal Control Findings (Continued)	Questioned Costs
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01-9	Maintain all Required Documentation in Child Care Case Files	
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During our tests of allowability and eligibility for the Child Care Cluster (CFDAs 93.575 and 93.596), we noted that required documentation was not always maintained. We noted instances in which case files were missing child care receipts, current child care provider forms, and documentation of proof of enrollment in school for the applicable period. Title 45 CFR Part 98.65 (e) requires that appropriate documentation be maintained to allow the verification that funds are expended in accordance with statutory and regulatory requirements of the program.

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Recommendation

The DHS should ensure that all required documents are properly maintained in each case file to support the allowability and eligibility of the child care payments being claimed for federal reimbursement. The DHS should consider requiring regular supervisory reviews and having personnel outside of the program perform periodic reviews. Based upon the results of the reviews, the DHS should consider additional training for the units.

Department of Human Services
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
Fiscal Year Ended June 30, 2001

<u>Ref.</u> <u>No.</u>	Compliance and Internal Control Findings (Continued)	<u>Questioned</u> <u>Costs</u>
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01-10 Improve the Accuracy of Child Care Reimbursements

During our tests of allowability and eligibility for the Child Care Cluster (CFDAs 93.575 and 93.596) we noted several reimbursement errors. The errors noted were as follows:

- Numerous instances in which there was an improper application of the required co-payment percentage. This situation occurred when the actual charge by the child care provider was less than the respective maximum allowable child care reimbursement.
- An instance in which the reimbursement to the participant was greater than the actual amount paid to the child care provider.
- An instance in which the participant was not eligible for the maximum child care reimbursement as there was no proof of being enrolled in school during the applicable period.

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Recommendation

The DHS should ensure that reimbursements to child care program participants are calculated properly. The DHS should consider performing periodic reviews of case files and assess whether further training is necessary to improve the accuracy of the child care reimbursements.

Department of Human Services
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
Fiscal Year Ended June 30, 2003

Ref. No.	Compliance and Internal Control Findings (Continued)	Questioned Costs
03-7	Ensure Proper Eligibility Determination and Maintain all Required Documentation in Child Care Case Files	
	During our tests of allowability and eligibility for the Child Care Cluster (CFDA 93.575 and 93.596), we noted the following errors:	
	<ul style="list-style-type: none">• One instance in which an improper eligibility determination resulted in an overpayment of \$250.	\$ 250
	<ul style="list-style-type: none">• Six instances in which required documentation was not maintained in the participant case file. Title 45 CFR Part 98.65 (e) requires that appropriate documentation be maintained to allow the verification that funds are expended in accordance with statutory and regulatory requirements of the program. As such, child care benefit payments, totaling \$6,685 should not have been made.	<u>6,685</u>
		\$ <u>6,935</u>

Recommendation

The DHS should ensure that proper eligibility determinations are made and that all required documents are maintained in each case file to support the allowability and eligibility of the child care payments being claimed for federal reimbursement. The DHS should continue to perform case file reviews in order to assess case manager performance. During fiscal year 2003, the DHS performed a review of case files at units managed by third party contractors and similar errors were noted. Follow-up reviews should be performed until the error rate has decreased at all units.

Department of Human Services
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
Fiscal Year Ended June 30, 2003

Ref. No.	Compliance and Internal Control Findings (Continued)	Questioned Costs
03-8	Improve the Accuracy of Child Care Reimbursements	
	During our tests of allowability and eligibility for the Child Care Cluster (CFDA 93.575 and 93.596), we noted several benefit payment errors. The errors noted were as follows:	
	<ul style="list-style-type: none">Two instances in which the case manager applied improper child care rates. The errors resulted in a total underpayment of \$179.	\$ (179)
	<ul style="list-style-type: none">One instance in which an income calculation error by the case manager resulted in an improper application of the co-payment percentage. The error resulted in an underpayment of \$25.	<u>(25)</u>
		\$ <u><u>(204)</u></u>

Recommendation

The DHS should ensure that reimbursements to child care program participants are calculated properly. The DHS should continue to perform case file reviews in order to assess contractor performance. During fiscal year 2003, the DHS performed a review of case files at units managed by third party contractors and similar errors were noted. Follow-up reviews should be performed until the error rate has decreased at all units.

Department of Human Services
State of Hawaii

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)

Year ended June 30, 2004

**Ref.
no.**

Compliance and Internal Control Findings (continued)

The effective dates of the adoption assistance agreements for the case files selected for testing ranged from 1991 to 2003.

Recommendation

DHS should ensure that all required documents are properly completed and maintained in each case file to support the allowability and eligibility of the adoption assistance payments being claimed for federal reimbursements. A secondary review would help to ensure all required documents are properly completed.

04-11 Maintain All Required Documentation in Child Care Case Files

Federal agency: U.S. Department of Health and Human Services
CFDA 93.575, Child Care and Development Block Grant
CFDA 93.596, Child Care Mandatory and Matching Funds of the Child Care and Development Fund

During our review of 30 case files, we noted the following:

- 5 case files were missing required documentation supporting \$1,621 in child care benefit payments. These include child care receipt and verification of service forms.
- 9 case files in which redeterminations were not made in a timely manner.
- In addition, we also noted several case files in which the application forms and/or other forms were missing or not properly completed.

The findings described above are primarily due to clerical error/oversight.

Recommendation

DHS should ensure that all required documents are properly completed and maintained in each case file to support the allowability and eligibility of the child care payments being claimed for federal reimbursements. A secondary review would help to ensure all required documents are properly completed.

04-12 Improve the Accuracy of Child Care Reimbursements

Federal agency: U.S. Department of Health and Human Services
CFDA 93.575, Child Care and Development Block Grant
CFDA 93.596, Child Care Mandatory and Matching Funds of the Child Care and Development Fund

During our review of 30 case files, we noted the following:

- 4 case files in which there was a net aggregate overpayment of \$902.

The findings described above are primarily due to clerical error/oversight.

Department of Human Services
State of Hawaii

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)

Year ended June 30, 2004

Ref.
no.

Compliance and Internal Control Findings (continued)

Recommendation

The DHS should ensure that reimbursements to child care program participants are calculated properly in accordance with program policies and procedures.

04-13 Ensure All Subrecipients are Identified for Subrecipient Monitoring

Federal agency: U.S. Department of Health and Human Services
CFDA 93.575, Child Care and Development Block Grant
CFDA 93.596, Child Care Mandatory and Matching Funds of the Child Care and Development Fund

OMB Circular A-133 provides guidance to grantees who provide funds to subrecipients. Section 210 of the circular also provides guidance in assisting grantees in differentiating between a subrecipient and a vendor.

In October of each year, the department's Management Services Office (MSO) sends a memo to the divisions requesting a list of subrecipients that were contracted during the previous year. The listing is used to identify the subrecipients for monitoring purposes.

While MSO performs subrecipient monitoring for the different programs, no monitoring was done in 2004 on any of the subrecipients who received Child Care funds in 2003. Our review of MSO's list of 2003 subrecipients did not disclose any subrecipients relating to the Child Care program.

However, our discussion with the Child Care program accountant indicated that there were several not-for-profit and governmental organizations that did receive funds in 2003 and provided services for the program. Upon inquiry, we were informed that the program had not provided the names of these entities to the MSO because the program had considered the entities to be vendors and not subrecipients.

Recommendation

We recommend that the program seek guidance from the federal cognizant agency, oversight agency or the federal awarding agency as to the attributes of a subrecipient versus a vendor relationship as they relate to this specific program. Once such guidance is received, the program should evaluate each of its agreements and document the rationale for its decision.

Audit Finding: 02-6 Maintain all Required Documentation in Child Care Case Files

Auditor's Recommendation: The DHS should ensure that proper eligibility determinations are made and that all required documents are received timely and are properly maintained in each case file to support the allowability and eligibility of the child care payments being claimed for federal reimbursement. The DHS should implement formal procedures to monitor the agency contracted to perform monthly child care payment services in order to assess contractor performance. During fiscal year 2002, the DHS did perform a review of case files at a single unit and similar errors were noted. Follow-up reviews should be performed until the error rate has decreased at all units.

Corrective Action Taken or Planned: The Employment and Child Care Program Office (ECCPO) has reminded the contracted staff, through formal discussions and formal staff training sessions, to request required documents from clients in a timely fashion and maintain them in each case file to support the allowability and eligibility of the child care payments. The department is planning to conduct annual audits of all units regardless of the error rates. The DHS is also planning to issue formal procedures to monitor the agency contracted to perform monthly child care payment services in order to assess contractor performance.

The DHS is considering discontinuation of the child care payment service contracts and issuing payments through the DHS staff. The ECCPO and Branches are currently conducting a cost analysis to determine the following:

1. Whether contractors have provided services of "equivalent or better quality" than could have been provided by a government agency at lower cost; and
2. The appropriateness of continuing to privatize the services.

Start Date: July 2002

End Date: Ongoing

Responding Person: Pankaj Bhanot, Employment & Child Care Program Administrator, Benefit, Employment & Support Services Division (BESSD)

Audit Finding: 02-7 Improve the Accuracy of Child Care Reimbursements

Auditor's Recommendation: In June 2002, the DHS implemented a new payment system, Hawaii Automated Network for Assistance (HANA), which automatically calculates child care reimbursements. Upon implementation, the DHS noted errors in payment calculation and corrective action was taken to improve the accuracy of reimbursement calculations performed by HANA. The DHS should continue to monitor and assess system performance to ensure that reimbursements to child care program participants are calculated properly.

Corrective Action Taken or Planned: The DHS will to continue to monitor the accuracy of child care reimbursements through system generated payment reports and annual review of case records.

Start Date: July 2002

End Date: Ongoing

Responding Person: Pankaj Bhanot, Employment & Child Care Program Administrator, BESSD